

1. MR. SCHOLAR

2. PRIME MINISTER

STATEMENT ON THE SERPELL REPORT

You will probably want to read the attached Hansard extract which reports this statement and the subsequent questions.

You will see almost all the questioners asked Mr. Howell to repudiate either the whole report, or parts of it.

Predictably, the Secretary of State was asked for assurances that there would be no major closures. Mr. Howell gave much the same reply each time he was asked this question and the following is an example:

"I have made it clear that the Government do not want to see a substantial number of closures. If there were to be a change in that policy, it would be after informed debate. That debate will be more informed as a result of this report, and any decision will be debated in the House and declared before the House."

If Mr. Howell was trying to get across the fact that the Government's policy would not be changed until after the report had been carefully considered, and that any change would be reported to the House, he did not succeed. As you know, he has been widely reported as having ruled out substantial closures. It was the sentence: "it is not the Government's wish to see substantial closures in the network" that was picked up, and not the subsequent caveat that "if, as a result of a long-term review, a different policy were necessary, the House would be informed". One reason for this may have been that Mr. Howell said in reply to Hector Monro that he "believed that the extreme options are not acceptable they are not part of the area where we must apply our minds seriously to the future of the railway system".

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The other main criticisms made by the Opposition were:

- (a) that the report proposed large fare increases, and in particular a fare increase of about 40 per cent for London and the South East; *it doesn't
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- (b) that the report suggested that the safety standards of British Rail are too high, and that savings can be made by curtailing track and equipment maintenance at present considered essential by the Board;
- (c) that the report acknowledged that acceptance of its options would lead to congestion on the railways;
- (d) that it was quite improper to appoint Travers Morgan and Peat, Marwick, Mitchell & Co. as consultants, and to pay them more than £500,000, when Mr. Goldstein and Mr. Butler had an interest in these companies;
- (e) that the report's recommendations would destroy British Rail Engineering Ltd. and that it would be foolish to allow British Rail to buy steel from abroad rather than from BSC; and
- (f) that the report did not even consider British Rail's proposed investment programme, that it showed anti-rail bias, and that it would simply delay crucial decisions on the investment needed in British Rail.

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21 January 1983

British Railways (Serpell Report)

3.51 pm

The Secretary of State for Transport (Mr. David Howell): With permission, Mr. Speaker, I will make a statement on the Serpell committee on railway finances.

I am publishing today the full reports to me and copies are now available in the Vote Office. The committee was appointed on 5 May last year after the British Railways Board had proposed a review. As the House knows, the committee was chaired by Sir David Serpell, who has held many public offices, including membership of the Railways Board, for a number of years. The members were Mr. Bond, a member of the board of the Rank Organisation, Mr. Butler, a partner in Peat Marwick Mitchell and Co., and Mr. Goldstein, a leading transport consultant and engineer. Their work was delivered to me immediately before Christmas, as I informed the House on 23 December, and copies were sent forthwith to Sir Peter Parker. There is a majority report by Sir David Serpell, Mr. Bond and Mr. Butler and a minority report by Mr. Goldstein.

The committee was asked to examine and report on the shorter-term financial prospects of the railway and on the options for many years ahead. The majority document fully reflects this. The minority document by Mr. Goldstein gives more attention specifically to the longer term, and places a different emphasis on certain aspects.

The Government are grateful to the committee for its hard work and speedy efforts. The reports explore the broadest range of issues about our railways of any inquiry since nationalisation. I should particularly like to take this occasion to pay tribute to Sir David Serpell, who has discharged a most difficult task with great ability and integrity.

The railway serves many customers and communities, but it also requires major support from public funds, which this year will exceed £900 million. There has been growing concern about the state of the railways, their cost and their future. These reports now give us a basis for decisions and for action.

The committee does not support the view that yet larger injections of public funds are needed to preclude extensive closures, or that large parts of the system are at risk from lack of maintenance with present levels of support. No major backlog of renewals was demonstrated to the committee's satisfaction. Nor did the committee accept the case for what it called "a high investment option", although it recognised the need for some changes in existing investment priorities and for possible increased investment in the late 1980s. Nor do the reports recommend huge rises in commuter fares, as some wild speculation has suggested. The best way to keep fares down is by cutting costs; the reports point to large scope for that. Nor do they suggest that safety should or would be prejudiced.

The committee has given close attention to the opportunities for considerable improvements in efficiency and the reduction of costs over the next five years. It has drawn attention to particular areas where present shortcomings need to be remedied.

I welcome the efforts by Sir Peter Parker and his board to improve their management arrangements, to reduce costs and to get rid of restrictive practices. The reports now published point to further large scope for improvements in

efficiency. I have made it clear to the British Rail chairman that I regard these improvements as the top priority for action flowing from the committee's reports, and I remain confident that they can be achieved. Vigorous and immediate action by the board will have my full support.

The committee has not made recommendations about closures or the longer-term shape of the railways, but it has set out broad illustrative options for consideration. It would be quite wrong to respond with snap judgements or closed minds to any of these ranges of options, whether they concern track and signalling, rolling stock, network size or fare structure, or new objectives for the railways board. The committee makes it clear that more work would be needed to be done to translate any of these illustrations into policy options. Indeed, it would be foolish to come to settled conclusions on any one of these questions in isolation. Other questions—such as the relationship between road and rail services and subsidies for public transport generally, the introduction of private capital and the relationship between British Rail and the private sector—also remain to be determined.

The public have the right to know more clearly what value for money they are getting from their railway services and how funds for public transport can best be used. We now have the opportunity for informed discussion about the sort of railway that we want and are prepared to pay for. It is on this basis that the Government now propose to reach lasting decisions that will be in the best interests of the nation.

Mr. Albert Booth (Barrow-in-Furness): Does the Secretary of State realise that most of those who have studied the network options A and B in the report, for a so-called commercial railway, have been absolutely appalled to find that an 84 per cent. cut in our railway network is involved and, if implemented, would leave no lines operating in Scotland north of Edinburgh or Glasgow, no eastern main line beyond Newcastle, no lines in Wales beyond Cardiff and no lines whatsoever in the west country? The Secretary of State said that the committee did not accept the case for a high investment option, but will he concede that the committee did not even examine the proposals for main line electrification? It did not consider British Rail's proposed investment programme. Does that not show the most horrendous anti-rail bias on the part of the committee?

When the Secretary of State said that the report did not propose fare increases, I wondered whether he had read the chapter that refers to an option for substantial real increases in fares in London and the south-east. Has he looked at the amount that the report suggests might be saved? The figure is about £55 million, which implies an increase in fares of about 40 per cent. The report suggests that acceptance of its options would lead to congestion, which is a contradiction of the aims that we thought were intended for the running of a modern railway service.

Chapter 6, which refers to the writings of Travers Morgan, carries a clear implication that the safety standards of British Rail are too high and suggests that savings might be made by curtailing track and equipment maintenance that is currently considered essential for the high standard and safety of British Rail. Is that not absolutely disgraceful?

I have serious doubts about the propriety of paying more than £500,000 to consultants in which members of

[Mr. Albert Booth]

the committee had a direct financial interest. This report appears to show blatant disregard for the needs of passengers. It uses a financial criterion that bears no comparison with that used by any other national railway system. All it does is waste time and delay critical decisions that need to be taken to maintain our railway service. As such it should be totally rejected.

Mr. Howell: The right hon. Gentleman, in his indignant condemnation of a substantial report—I do not believe that he can possibly have studied it fully and thoroughly—overlooks the fact that it was the British Railways Board that eagerly sought this review and welcomed the setting up of the committee. Now that the committee has come to several conclusions that the right hon. Gentleman does not immediately accept, it would be sensible if he were to examine and evaluate them rather than jump up and condemn the whole thing out of hand.

The right hon. Gentleman mentioned the question of the network options. I have already said that they are illustrations. Neither I nor the Government wish to see substantial closures. If that policy were changed, it would be after a long and informed debate. That remains our policy.

There is a statutory procedure for closures which is endorsed and reinforced in this report. The right hon. Gentleman does himself no justice by shutting his mind to any consideration of the value for money to be obtained from different sizes for the rail network.

The question of electrification investment depends upon the ability of British Rail to bring forward proposals on how it can put its inter-city business into profit. I believe that it is intending to bring forward those proposals quite soon. I look forward to receiving them.

The right hon. Gentleman talks about anti-rail bias. When the committee was set up, its chairmanship and the committee members were welcomed by British Rail. That undermines what he has said on that matter. This report does not confirm the speculation, which was given a good run by Opposition Members, of a 40 per cent. increase in commuter fares. In looking at the structure of fares, it is necessary to examine the suggestions on the size of the discount. There is no mention of 40 per cent. in the report. Nor is there any suggestion that safety would be prejudiced.

As to the appointment of the consultants, I and my Department chose Mr. Goldstein and Mr. Butler and their consultant firms in line with proper procedures.

Travers Morgan has made studies of railways throughout the world, including British Rail. It is a very substantial and reputable firm. For the right hon. Gentleman, because he does not like the immediate conclusions and because they do not confirm his prejudices, to try to undermine the committee and the consultants to the committee is a transparent and feeble reaction. I hope that he will give a more open-minded approach to a very full and substantial report.

Mr. Booth: The Secretary of State should acknowledge that British Rail has said that the reports are a disappointment to it. In its view, the committee has reflected its inability to agree on important issues. British Rail stated that the report contains unreliable information. It makes few specific recommendations. BR has said that

the report mixes procedural matters with policy, and little attention is paid to the need to maintain momentum behind the current initiatives.

Can the Secretary of State confirm that that is what British Rail has said? if so, how can he suggest that this is regarded by those currently responsible for running British Rail as making any sensible contribution to the important debate that should be taking place on maintaining and sustaining the railway system?

Mr. Howell: British Rail has indicated to me that it sees constructive aspects in this report and it wishes to build upon them. It is true that it has expressed disappointment. There are criticisms in both the majority and minority reports. British Rail has a perfect right to challenge and to meet those criticisms. I do not think that there is any indication that British Rail is taking the oyster-minded approach of the right hon. Gentleman and closing its mind to the challenges in these reports. This report shows that there are substantial opportunities for cost savings, thereby building on the spirited efforts that Sir Peter Parker and the board have made in trying to overcome some of the absurd restrictive practices and poor customer service in the industry. British Rail is ready to take those opportunities, obtain the cost savings and run a high quality modern railway on the basis set out in the report.

Sir David Price (Eastleigh): Is my right hon. Friend aware that the snapshot judgment he condemns becomes inevitable if a report gets dribbled and leaked to the press and the media in the way that this report has been? Is my right hon. Friend aware that many of us on the Transport Select Committee were the last people to receive the report, although it was being discussed throughout the media? Does he accept that the main conclusion of the report is along the lines that the committee thinks that British Rail can improve its efficiency and reduce costs while keeping the railway "at broadly its present size."

Is he aware that practically none of the leaks suggested that?

Mr. Howell: My right hon. Friend is entirely right. That is the most important conclusion. I deplore the great deal of speculation. As soon as I received the manuscript of the report, I reported that fact to the House. The printers have been working on producing a report of 200 pages, 19 maps and many diagrams since that time so that hon. Members might have copies of the report and the supporting material.

In the meantime, it is true to say that there has been a certain amount of highly selective speculation—that is to be deplored—including putting out "facts" that were not facts at all and giving a totally false perspective. Now that the entire report and supporting documents are available, it will be wise and prudent for those who are interested in the future of a modern railway to study what is of value in this report and to look at it in a balanced and critical way.

Mr. Gordon A. T. Bagler (Sunderland, South): Does the right hon. Gentleman agree that this report is almost in line with the Beeching report in as much as it will create tremendous alarm throughout the transport industry? Will he give an undertaking, either now or in debate, that a large part of this report will be consigned to the dustbin? Will he concede that the six options as to the size and scale

(shou railway that will remain will mean that in the northern region nothing can travel east to west on British Rail north of Leeds and south of Edinburgh? All six options in the report suggest a direct distinction and separation between east and west.

Will the right hon. Gentleman also take this opportunity to say that he does not accept the recommendations that are designed to destroy British Rail Engineering Ltd? Some of us have had a very short time to look at this report. Will the right hon. Gentleman confirm that British Rail's policy is to buy British, so that the purchase of 100 per cent. of rails from the British Steel Corporation will continue? That is criticised in the report. Will he turn that down at once? Does he accept that many of us believe that this report reads more like Hans Christian Andersen? It is not a serious report. Will he consign it to the dustbin?

Mr. Howell: I do not think there is any comparison between this report and the work of Dr. Beeching. The report covers a wider area. It is concerned with the cost and structure of the railway. The report also puts forward a number of illustrative options of what the public is getting in the way of value for money in transport services in the railway system. I do not think that it compares with the Beeching report at all. The hon. Member said "Put it in the dustbin". One of his hon. Friends yesterday said "Burn it." That does no credit to the hon. Gentleman. When he studies the report, he will see that it contains information and illustrations that are of importance and value. Let them be tested against the views of British Rail. As a railway man, the hon. Gentleman will see that there is information of considerable value for building a better future for the railways.

The future structure of British Rail Engineering Ltd is considered in the report. The aim of the report is to identify ways in which the capacity of British Rail Engineering Ltd. to build railway equipment can be preserved and made competitive. It looks at the different relationships that might be developed between BREL and British Rail to achieve that aim. If the right hon. Gentleman and his hon. Friends are really interested in the future of British Rail's engineering capacity and in the competitive supply of equipment, both at home and abroad, I should have thought that they would be interested in these opportunities and would support discussions to see how they could help BREL.

I very much hope that British is best, that British equipment will be competitive and will be supplied to our railway system. That is what we all want to see. The best way of achieving that is to ensure that BREL has a proper structure and is highly competitive. The report puts forward a number of options on how that might be achieved.

Mr. Stephen Ross (Isle of Wight): Does the right hon. Gentleman agree that the report contains no comparisons with other countries and is short on recognition of safety standards and on replacement and transition costs? Does he also agree that Serpell seems to assume that the present recession will continue ad infinitum? I agree that a debate will have to take place on this detailed report, but will the Secretary of State ease the purse strings of British Rail so that it can at least place some orders for badly needed replacement rolling stock? Will he also look at map C2 and say who will take the train to Crianlarich?

Mr. Howell: As I told the House yesterday, the £960 million external financing limit for 1983-84 allows for an increase in British Rail's investment projects. A number of projects are in the pipeline, including some for new forms of rolling stock.

The Government have always said that they look with sympathy at the financing of transitional costs to meet the problems of adapting a great service and industry to future needs. That has been reflected not merely in words but in action and money as well during the last two years when transitional costs have been met.

It is true that the report looks at our system and needs and does not go too far into international comparisons. Those can vary from countries that run their systems at a huge loss to others that are desperately trying to cut the loss and to those that run relatively economic systems. We must choose what is best for us, what we can afford and how we can best achieve it. The report helps us along that road.

Dr. Brian Mawhinney (Peterborough): Has my right hon. Friend noticed that, despite the fact that he told the committee that it need not concern itself with electrification, it has commented negatively on the prospect of main line electrification, particularly the east coast main line, in paragraph 8.14? I accept that British Rail must recover from the disastrous strikes of last year, cut its costs and become more efficient, but does my right hon. Friend accept that if he were influenced by that paragraph his decision would be viewed with disquiet by a number of his hon. Friends?

Mr. Howell: That paragraph shows that decisions about electrification, including the immediate proposition for east coast main line electrification, turns on the board's capacity to put its inter-city business into profit. The board will bring those figures forward shortly and I look forward to receiving them. It is on that basis—that is in no way altered by the Serpell report—that we shall reach decisions on the worthwhileness and timing of further electrification projects.

The report looks back a long way and looks forward a long way. It requires a more sober and balanced reaction than we had from the right hon. Member for Barrow-in-Furness (Mr. Booth) this afternoon.

Mr. Les Huckfield (Nuneaton): Does the right hon. Gentleman accept that the conclusions in the report are far worse than anything recommended by Dr. Beeching, because at least even Beeching recommended that there ought to be a basic rail network? Does he also accept that by his refusal to condemn those parts of the report that refer to the network many parts of the country will now be wondering whether under the Conservative party they will have railway services in the future?

Even if the right hon. Gentleman will not condemn those parts of the report that refer to the route network, will he condemn those parts of chapter 6 that specifically say that safety standards in track maintenance and signalling ought to be reduced?

Mr. Howell: I do not accept that this report is comparable with the Beeching report. The hon. Gentleman is asking me to dismiss information that is valuable both to British Rail and the tax-paying and travelling public about how best we develop the railways. I have frequently said that the Government do not wish to

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see substantial closures. If, as a result of a long-term review, a different policy were necessary, the House would be informed of the Government's views and would wish to debate them.

I do not accept that there should be any prejudicing of proper safety standards, so long as the right hon. Member for Barrow-in-Furness does not use safety arguments to justify unnecessarily high costs. I know that he wants as much as I do to see a tight-cost, safe and efficient railway.

Mr. Roger Moate (Faversham): Does my right hon. Friend agree that the right hon. Member for Barrow-in-Furness (Mr. Booth) has used selective quotations for the purpose of scaremongering to an extent that almost verges on dishonesty? By suggesting that the report urges wholesale closure, is not the right hon. Gentleman quoting directly contrary to the principal conclusion in the main report that, given greater efficiency and reduced costs, the railways can be maintained at broadly their present size without any increase in subsidy in real terms? Will my right hon. Friend therefore give the lie to the suggestion that either the report or the Government are in favour of major cuts in the present size of the network?

Mr. Howell: My hon. Friend is absolutely right. The reaction of the right hon. Member for Barrow-in-Furness was below his usual standard. He knows that the report contains a number of valuable conclusions. My hon. Friend has reminded us that the conclusion in the majority report is that, with the railway broadly in its present shape, substantial savings could be achieved over and above those on which British Rail is now working.

I have made it clear that the Government do not want to see a substantial number of closures. If there were to be a change in that policy, it would be after informed debate. That debate will be more informed as a result of this report, and any decision will be debated in the House and declared before the House. That is the Government's position and I am sure that it is the right one.

Mr. Ted Leadbitter (Hartlepool): The right hon. Gentleman will be aware that at Question Time yesterday the House was alarmed because this report was not before it. The right hon. Gentleman knew then that he would be making this statement today, yet hon. Members did not receive the report until 2.30 pm. Surely that is an abuse of the House.

The right hon. Gentleman has read and studied the report. Is he prepared to say, given that his knowledge of the report is greater than that of hon. Members, that he will oppose the proposals and options on the removal of subsidies on the inter-city lines? Will he remove the electrification and safety options? Indeed, is he prepared to remove the option on buying British? Will he also state whether he will uphold the principle of a fully developed and invested rail system as part of an integrated transport system in the United Kingdom.

Mr. Howell: I am prepared to enter into debate with the hon. Gentleman and any others on sensible measures, consistent with the nation's resources, to support and develop a modern and highly efficient railway system. As part of that, unlike the right hon. Member for Barrow-in-Furness, I am prepared to look at new facts and illustrations—including the engineering costs, which have

never before been examined except by the railway industry itself. Those figures are now available to the public. I am to consider where investment priorities can be switched for the greater benefit of passengers and customers—who also come into the equation—and the railway system. That is what I am prepared to do.

I resent the hon. Gentleman's remarks about abuse of the House, because I have taken the greatest care to ensure that the full report, with all the maps, all the details and all the diagrams, is available to all hon. Members. I do not accept his remarks about abuse of the House.

Mr. Dafydd Wigley (Caernarvon): Does the Secretary of State accept that this is a thoroughly negative report and that in putting forward six options it creates maximum uncertainty, which must have an effect on the economic regeneration of the areas affected? Does he further accept that by saying that he will consider all six options he is adding to the uncertainty and that in areas like Wales, where with three of the six options we would have nothing but a transport desert, grave difficulty will arise for those who are trying to overcome the unemployment problem?

Mr. Howell: In putting forward illustrative options the report tells us the value that we are getting for the money being spent on a number of railway and transport services. Although I have said that it is the Government's view that we do not want to see substantial closures and that a change of policy would follow only after the most intense and careful debate, the hon. Gentleman owes it to his constituents, the transport services, and the transport standards that his constituents want, to try to find out whether they are getting the right value for money from the considerable expenditure that is involved in some of the lines described in the report. His constituents will expect that of him. Far from condemning it or merely saying that it should not be considered, he ought to set out his views on some of the facts in the report. I should welcome them.

Mr. Harry Cowans (Newcastle upon Tyne, Central): Will the Secretary of State do the honourable thing and withdraw his allegation yesterday at Question Time that right hon. and hon. Members of the Opposition were indulging in scaremongering? Is he not aware that the cat is now out of the bag and that many of the points made by my right hon. and hon. Friends are included in the options in the report? Is he not further aware that in the north, in Scotland and in Wales the rail communications system is being decimated? Is he further aware that the option put forward to buy steel on the Continent for track flies directly against what the Prime Minister has argued about people buying British? Is this not nonsense in anybody's terms.

Mr. Howell: The hon. Gentleman has put forward again the point that what is included in the report, and what his hon. Friends were saying was included in the report, are firm recommendations, including a statement that there would be a 40 per cent. increase in commuter fares. I know the hon. Member studies these things very carefully. I hope he will take the opportunity to read the report in full. If he does, he will see that these are not firm recommendations. They are illustrative options to show where the money is going. He would be the first to say that we should have value for money and good, integrated transport systems. The options deserve study and we

should not close our minds to any changes in the structure and pattern of our railway system. That is not a constructive approach. I do not believe that in his heart of hearts it is one that he wants either.

Mr. Alex Pollock (Moray and Nairn): Can my right hon. Friend confirm that, notwithstanding the options outlined in the report, there is no foreseeable threat to the future of the Aberdeen-Inverness line, which is so important to the communities in the north-east of Scotland?

Mr. Howell: The Serpell report considers a number of illustrative options. My hon. Friend will have to take it from me that it is not the Government's wish to see substantial closures in the railway system. I cannot stand here, and I never have sought to do so, and guarantee the future of the entire system for all time. No Transport Secretary has undertaken that and I would not seek to do so.

Mr. Ronald W. Brown (Hackney, South and Shoreditch): Is the Secretary of State aware that the more constructive part of the Serpell report has been canvassed for many years in the House by many hon. Members, particularly as it affects London? Of course, successive Governments have not implemented the proposals. Has the Secretary of State any comments on paragraph 6 of the section on the longer-term options, where there is full support for subsidies for London commuters? Will he remember that in the Transport Bill which is now in Committee upstairs he is not proposing to pursue that policy? Will he tell us that he is prepared to take that paragraph out of Serpell and make sure that there are adequate subsidies for commuters in London?

Mr. Howell: I think that the hon. Member is confused about the Government's attitude towards subsidies for transport, and certainly London Transport. This year London is receiving a larger share of national taxpayers' support for transport than ever before, and very substantial levels of subsidy support for London's transport system are fully supported by the Government. In the Serpell report the question is raised of the level of subsidies. In one paragraph it is made clear that the subsidies are well worth while because they prevent totally unacceptable and anti-social congestion on the roads, so that is a sensible policy.

Several Hon. Members *rose*—

Mr. Speaker: Order. I propose exceptionally to call five more hon. Members from either side, which will give much more time on this statement than on others.

Mr. David Mudd (Falmouth and Camborne): Can my right hon. Friend give me a simple message of encouragement and reassurance that I may take back to Cornwall? For the last 20 years, whenever there has been a hint of a rail closure in Cornwall, we have seen hotels and guest houses converted to old peoples' homes and private nursing homes, with a loss of tourist capacity. Industrialists who had expressed an interest in coming to Cornwall decided that it was not for them. There are six options in Serpell, and three of them ignore Cornwall. In the remaining three there is the total elimination of the vitally important economically and socially relevant Falmouth to Truro branch line. What will the Secretary of State tell me to say to my constituents about this?

Mr. Howell: My hon. Friend can take one comment from me and a comment of comfort from the Serpell

committee report. First, as I have already said a number of times, it is not the Government's wish to see substantial closures in the network. I have made that absolutely clear. Second, the Serpell report, by illuminating some of the expenditure on railways, indicates ways in which better transport facilities can be brought to rural and outlying areas by the better expenditure of funds and a more imaginative development of the transport system than Opposition Members are prepared to acknowledge. That will be for the benefit of my hon. Friend's constituents and is a message worth taking to them.

Mr. Alexander W. Lyon (York): Is it possible to make a reasonable assessment of what the level of subsidy to British Rail should be, without international comparisons, when every other major country gives subsidies to its railways which are far in excess of ours? Is it not absurd that in the chapter on British Rail Engineering Ltd. the Serpell committee should have examined and rejected the desire of British Rail to keep BREL going on the basis that there is no alternative information about its productivity and its capacity to make profits? It states specifically that the information is not available, yet it goes on to suggest that it might be privatised as one of the options.

Mr. Howell: On the second point, the committee considered a number of options, of which privatisation is one, and putting it much closer to British Rail is another. The committee's basic concern—as it is mine and would, I hope, be that of the hon. Gentleman with his constituency interest—is to see that the capacity, competitiveness and effectiveness of British Rail Engineering, with regard to both engineering maintenance and railway building, are maintained. That is a common concern and one to which options like these address themselves.

As to international comparisons, it is not true that every country subsidises its railways to a much larger extent than we do. To take one example to do with urban systems, we are often told that we have a low subsidy for the London transport system, but the subsidy for the greater Tokyo rail system is only 5 per cent., which is infinitely smaller than anything here. Many countries have different circumstances and many are seeking to reduce their railway deficits. We have to be sensible and confident and choose the levels that we want for our railway system. That is the right starting point.

Mr. Matthew Parris (Derbyshire, West): Does my right hon. Friend agree that there is a distinction between a constructive attitude to rail transport on the one hand and a sentimental attitude to every current aspect of British Rail practice on the other? If this report directs our minds to that distinction, it will have done a service.

Mr. Howell: Yes. I agree with my hon. Friend. I agree with his point, without in any way condemning it, about a sentimental attitude. We are dealing, in many cases, with part of our heritage which is of great beauty and value. The rights of way on which railways run are precious. All these matters should be considered in developing a system that meets our future service needs as well as preserving important parts of our heritage.

Mr. Peter Snape (West Bromwich, East): Will the Secretary of State accept that the network options, including the 1,600 miles of railway that will be left under option A, to which my right hon. Friend the Member for Barrow-in-Furness (Mr. Booth) referred, in chapter 14 of

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the report, that the reduction in safety standards of signalling appears in chapter 6, paragraph 25, that the proposals to dismember British Rail Engineering Ltd. appear in chapter 7, paragraph 30, and that the real increase in commuter fares, which he has denied, appears in chapter 2, paragraph 22, of the majority report? Is the right hon. Gentleman aware that an even greater increase is projected in chapter 3, paragraph 40, of the minority report? Will the right hon. Gentleman accept that the only speculation in which I am prepared to indulge, and in which I have indulged over the past fortnight, is the date of his resignation before he does any more damage to the railways?

Mr. Howell: The hon. Gentleman told me yesterday that there were a number of proposals in the report. In the areas that he mentioned, they are not proposals, but options. The hon. Gentleman talked of a 40 per cent. increase in commuter fares, which proves to be wholly incorrect. The implication that there were firm recommendations—the hon. Gentleman said, I think, that these were for the winding-up and selling of BREL—is wrong. It was wrong yesterday. It is wrong today.

Sir Hector Monro (Dumfries): Does my right hon. Friend agree that there will inevitably be grave concern when some of these railway maps are published tomorrow? Will he go some way to allay these fears by saying today that some of the extreme options are not acceptable and, if possible, that the route mileage in Scotland will be largely maintained?

Mr. Howell: I believe that the extreme options are not acceptable. They are there as a valuable framework for us to consider the future. They are not part of the area where we must apply our minds seriously to the future of the railway system. I have already described the Government's broad stance on particular parts of the network. If that were to change, it would be on the basis of informed policy and of debate in the House and on agreement of the best value for money that can be obtained through spending taxpayers' money on transport. That is how we shall proceed. I hope that my hon. Friend will be reassured by my remarks.

Mr. David Stoddart (Swindon): If the Secretary of State thinks that my right hon. Friend the Member for Barrow-in-Furness (Mr. Booth) was scathing about the report, he should have heard his hon. Friend the Member for Christchurch and Lymington (Mr. Adley) describing the report on the "World at One". That really was scathing. Instead of congratulating Sir David Serpell, does the right hon. Gentleman not consider that the report is notable only for its incoherence? Does he agree that it is a report that few people will understand?

Is the right hon. Gentleman aware that I understand perfectly well that the Serpell recommendations, if accepted, will undermine our railway network and that they have already caused fear and uncertainty among railway men and rail employees throughout the country? Does he appreciate that if the recommendation that British Rail Engineering Ltd. be privatised were brought into operation, it would be a complete disaster for passengers, for British Rail and for safety standards throughout the railway system?

Mr. Howell: To take the hon. Gentleman's first point, even my hon. Friends can sometimes be wrong or a little premature in their judgment. I do not consider that the right hon. Member for Barrow-in-Furness was very scathing. The right hon. Gentleman simply displayed a closed mind, because he was not prepared to examine the work that has gone into the report and the options available in trying to see how best the railway system can be developed. The hon. Gentleman falls into the trap of saying that the report contains recommendations. I urge him to read it. He will find much of value. He will see that much of the report is aimed at options and ways in which railway engineering and building capacity can be made more competitive and adaptable. The danger is that if the railways do not adapt they will die. That is the spirit in which the report draws attention to these matters.

Mr. Robin Maxwell-Hyslop (Tiverton): As my right hon. Friend wants hon. Members to understand the documents that he has laid before the House, will he say why the important passenger flow diagram in the supplementary volume does not show the route between London and Exeter as an inter-city route, which it is, but shows the route as far as Salisbury as London and the south-east, when Salisbury has nothing to do with the south-east? Will he explain why the brown colour code for freight does not appear anywhere, and why some of the lines are coloured black, although there is no black colour code? Are these printers' errors? Or are they errors by the consultants?

Mr. Howell: The definitions by British Rail as to which parts of its rail system are inter-city and which lie within London and the south-east are for British Rail itself to determine. I share with my hon. Friend recognition of the fact that they change from time to time and that they are difficult to follow. If there are any particular aspects of the maps, diagrams or engineering work on which he would like special guidance and help, I shall be glad to give it to him personally or, preferably, to direct him to officials and engineering experts who can equal his own engineering expertise in this matter.

Mr. Derek Foster (Bishop Auckland): Is the Secretary of State aware that, with the levels of investment envisaged in the report, it may be difficult to see the survival of British Rail Engineering Ltd. either in the public sector or in the private sector? Is he aware that he may be envisaging the destruction of railway communities far beyond what has hitherto been conceived? Far from the home market being a home base on which to export railway equipment, we may be running the risk of importing great amounts of rail equipment.

Mr. Howell: I realise the hon. Gentleman's particular worry about the capacity of British Rail Engineering Ltd. and the need for orders. The report expresses its view that in the second half of the 1980s there will need to be increased investment in rolling stocks and traction equipment. That is right. Overall, we now live in an age in which it is clear that the very high levels of investment historically in the railways will probably not be maintained and that world-wide it will be necessary to look for new markets for our railway equipment. I have sought to support British Rail Engineering Ltd. and other railway equipment firms in finding those markets around the world. I shall continue to make every effort to do so, but

we must be realistic. We must not imagine that we can always maintain markets simply by spending on one project resources for which there might be a greater need elsewhere.

Mr. David Crouch (Canterbury): Is my right hon. Friend aware that his calming words of assurance that the possible rise in fares will be minimal will be heard with a sigh of relief throughout the country? May I draw his attention to paragraph 2.22 of the main report, which refers to the fares paid by London and south-east passengers—1 million passengers a day—who are British Rail's best and most regular customers? Most of them pay their fares well in advance by purchasing a yearly season ticket. Is my right hon. Friend aware that the report suggests that these passengers should be subject to a substantial, real increase in fares? Will he bear in mind that he needs to give a real assurance to the public that this real and substantial increase will not take place? Will he take note of Mr. Goldstein's strong reservations in paragraph 6.04 of his report, where he points to the dangerous side effects of so increasing fares?

Mr. Howell: My hon. Friend is correct, and I have already referred to those in answer to earlier questions. In turn, I call his attention to paragraph 3.42 of the minority report, where Mr. Goldstein is reported as saying

"While therefore there is certainly opportunity for major financial improvements in BR by radical pricing changes in the L & SE sector, it would in my view be wrong to go forward with other than modest increases without undertaking a very far reaching examination."

The caution concerned about jacking up fares as the way to solve the financial problems is right. As I said in my statement, much the best way to control fares to keep down costs, and there is plenty of scope in the report for that.

Mr. Michael Martin (Glasgow, Springburn): I wish to reiterate my fears about the circumstances of Glasgow, Springburn. It is worth repeating that there is over 30 per cent. unemployment in my constituency and there are only two main employers—the Eastfield railway locomotive depot and the British Rail engineering workshop, which is the only workshop in Scotland. If anything happens to those two employers, will the Minister come to every school in my constituency and tell our children that there is no future left for them in the north end of Glasgow?

Mr. Howell: For two days running the hon. Gentleman has fairly expressed his fears about the local works with which he is concerned. I have said that the aim of the committee was to consider options and ways in which British Rail's engineering and railway equipment building capacities could be made more competitive and thereby beget more business. That must be the desirable aim that I hope the hon. Member for Glasgow, Springburn (Mr. Martin) would share.

However, it was known long before the report emerged that there were problems with the capacity and the orders for British Rail Engineering Ltd. The British Rail management has been struggling with these formidable problems, which have been made no more easy or difficult by the production of a report. Those problems will have to be dealt with, but I understand the hon. Gentleman's worries. As I said yesterday, the social as well as the economic implications must be taken into account.

Later—

Mr. Bob Cryer (Keighley): On a point of order, Mr. Speaker. I seek your guidance. In the ordinary course of

events, when reports are given to Parliament it is accepted that they are subject to the Government chief accountant's rules. In the case of the Serpell report, it is clear that the money received by two firms in which two members of the committee, Mr. Alfred Goldstein and Mr. P. J. Butler, have a direct interest was paid contrary to those rules.

On page 3 of the rules it says

"a candidate firm"—

this is for consultancies—

"will be ruled out, without detailed consideration, if either"—

and there is a list of qualifications—

"there is a clash, or potential clash, of interest that would result from its appointment."

I should have thought that it was incumbent on the Minister to state to the House—because this is a matter for the Public Accounts Committee subsequently—whether there is any breach or potential breach of the rules, as there clearly is in the payments to these two people from firms in which they have a clear and direct interest.

Therefore, Mr. Speaker, I ask you to give a ruling that on this and future occasions any doubts should be clearly stated by the Minister making a statement on a report.

Mr. Speaker: I shall see whether there is any responsibility on my part in this regard, although I doubt it very much.

Mr. Christopher Price (Lewisham, West): I am sorry that I have not been able to give you notice of this matter, Mr. Speaker, but it relates to the answer to a question that I received only at 3.30 this afternoon. It concerns the issue raised by my hon. Friend the Member for Keighley (Mr. Cryer).

In spite of not having been able to give you notice earlier, Mr. Speaker, I beg to ask leave to move the Adjournment of the House, under Standing Order No. 9, for the purpose of discussing a specific and important matter that should have urgent consideration, namely, "the clear breach of the Government chief accountant's guidelines in the appointment of R. Travers Morgan and Peat, Marwick, Mitchell & Co. as consultants to the Serpell committee."

These points have already been made in my hon. Friend's point of order, but Mr. Kenneth Sharp, the Government chief accountant, is clear in his guidelines on two points. First, unless it is a trivial issue concerned with a small amount of money, the matter must go out to tender. The Minister has told us that he clearly breached that guideline and did not go out to tender. He picked two firms which, as we have just heard, received more than £500,000 and Peat, Marwick, Mitchell & Co. continues as consultant in this matter to the Department of Transport, as is made clear in the Serpell report.

Secondly, the chief accountant's guidelines make it clear that consultants should never be appointed in certain circumstances.

They say:

"A candidate firm will be ruled out, without detailed consideration, if . . . there is a clash, or potential clash, of interests that would result from its appointment."

That is not all. The Government chief accountant goes on to say:

"It is . . . anticipated that firms that do not pass these tests would not accept an invitation to make a presentation."

Our principal responsibility in the House is to ensure that Government moneys are spent properly and without leaving the Minister or his civil servants open to accusations of sharp practice, jobs for the boys, corruption or anything like that.

[Mr. Christopher Price]

This matter is so serious that I think that I am justified in asking for the Adjournment of the House so that we may immediately discuss the matter.

Mr. Speaker: The hon. Member for Lewisham, West (Mr. Price) seeks leave to move the Adjournment of the House for the purpose of discussing a specific and important matter that he thinks should have urgent consideration, namely,

"the clear breach of the Government chief accountant's guidelines in the appointment of R. Travers Morgan and Peat, Marwick, Mitchell & Co. as consultants to the Serpell committee."

The hon. Gentleman has made some serious statements to the House and we have listened with deep concern to what he has said. The House knows that I decide not whether the matter is to be discussed but merely whether it is of such a nature that it should be discussed either tonight or on Monday night, taking precedence over all other business of the House. That is the limit of my powers and discretion.

I have given careful consideration to the hon. Gentleman's representations, but I must rule that his submission does not fall within the provisions of the Standing Order and, therefore, I cannot submit his application to the House.

Mr. Michael Foot (Ebbw Vale): On a point of order, Mr. Speaker. I am not in any sense questioning your ruling on the Standing Order No. 9 application and I fully understand your reasons for it. On the other hand, the matter raised by my hon. Friends the Members for Keighley (Mr. Cryer) and for Lewisham, West (Mr. Price) are of considerable importance. It was raised earlier by my right hon. Friend the Member for Barrow-in-Furness (Mr. Booth) but his question dealt with only some of the matters which might arise.

In the light of what has been said today, the Government should make a statement. The matter was raised by my hon. Friends at a time when the Secretary of State for Transport had left the House. He has now returned, doubtless having been informed of the matter. However, this is more a matter for the Leader of the House than for any other Minister, and, through no fault of his own, the Leader of the House is not present. As serious matters of public interest are involved, may we have a statement on the matter from the Leader of the House either tomorrow or on Monday? That is the proper way for it to be dealt with. It cannot be left where it is now.

Mr. Speaker: I am much obliged to the right hon. Gentleman. What he has said will have been heard by others.

Mr. Arthur Lewis (Newham, North-West): Further to that point of order, with which I do not disagree, Mr. Speaker. The answer should be that, with the approval of Mr. Speaker, any Minister may make a statement. As the Secretary of State for Transport is present, is it not in order for him to ask permission of you, Mr. Speaker, to give the pledge for which my right hon. Friend the Member for Ebbw Vale (Mr. Foot) has asked, or, better still, to answer the questions which have been raised in the application under Standing Order No. 9?

I wish to give the Minister the chance to ask your permission, Mr. Speaker, to make a statement which

would resolve matters. It is not a party issue. All hon. Members want to uphold the dignity of the House and our non-corruptible Civil Service. I hope that the Minister will welcome the opportunity to respond to the points that have been made and will make a statement today or ask the Leader of the House for the opportunity to do so tomorrow.

Mr. Frank Dobson (Holborn and St. Pancras, South): Further to the point of order, Mr. Speaker. May I seek your guidance? I am not sure, but I believe that the Secretary of State referred to an independent report when he made the statement on the Serpell report. Is it not the custom of the House for a Secretary of State, introducing what purported to be such a report, to draw to the attention of the House the fact that two members of the independent committee of inquiry had a financial interest in consultancy firms which had worked on the report or vice versa?

Mr. Speaker: There is nothing that I can add to what has already been said. The representations have been heard.

Mr. Christopher Price: Further to that point of order, Mr. Speaker. The Leader of the House was not in his place during the earlier exchanges, but he is now and we all know that he takes a serious interest in the probity of the spending of public money. Had the Leader of the House heard what my right hon. Friend the Member for Ebbw Vale (Mr. Foot) said, I am sure that he would have wished—he looks as though he does so wish—to respond to the serious and important points that were made, if only to promise a statement on the matter tomorrow.

Mr. Booth: Further to that point of order, Mr. Speaker. You will recall that when I first responded to the Minister's statement I said that there were serious doubts as to the propriety of the practice of employing consultants who had a direct financial interest. I did not, for reasons which are understood by the House, make any reference to the guidelines of the Government chief accountant, but that has now been done. In view of that, would it be in order for the Minister to seek permission to reply to the point that was raised?

Mr. Speaker: I shall consider whether I have any responsibility in that regard, but it is clear that I cannot answer off the cuff.

Mr. Arthur Lewis: Further to that point of order, Mr. Speaker. May I take my original point further? As a result of the knowledge that you and I have gained over the years on many vital matters, which I believe the House considers this to be, we realise that, while the Minister and/or the Leader of the House may not be able or wish to make a statement immediately, he can do so later today and can ask leave to do so. That has often been done by arrangement through the usual channels. Therefore, may I ask you, Mr. Speaker, not the Leader of the House or the Minister, to give favourable consideration to such a request?

Mr. Speaker: I am always sympathetic to requests from both sides of the House.

Mr. Stanley Cohen (Leeds, South-East): Further to that point of order, Mr. Speaker. As the Minister is present, it is reasonable and desirable—and he owes it to the House—that he should answer the question that is

being put to him by hon. Members about which we are most concerned. To remain silent is discourteous to the House.

Mr. Ted Leadbitter (Hartlepool): On a point of order, Mr. Speaker. I raise what I feel is a reasonable procedural point of order regarding the business of the House. I do so because of the persistent reluctance of the Secretary of State, and indeed the Leader of the House, to respond to hon. Members' wishes.

The point of order arises from a question which I raised yesterday with the Secretary of State when I asked whether he would consider initiating a debate on the Serpell report because of its importance. Because of the unsatisfactory reply that we have received today, and the importance which you, Mr. Speaker, attach to the report, and in view of his willingness to consider such a debate, will the Minister say what progress he has made with the Leader of the House? That would be a step forward.

Mr. Speaker: Order. That is an entirely different matter.

Mr. David Howell: Further to that point of order, Mr. Speaker. When the right hon. Member for Barrow-in-Furness (Mr. Booth) consults *Hansard*, I think that he will see that I specifically answered the point that is now being raised when he asked me about it. My reluctance to answer it again was based solely on that. However, in case he did not pick up my answer in the hubbub, and for his benefit and that of other hon. Members, I shall answer it again.

I chose, and my Department chose, Mr. Goldstein and Mr. Butler and their consultancy firms. I did so fully in line with the proper procedures and in conformity with the rules for such appointments.

Mr. Cryer: On a point of order, Mr. Speaker. The way in which you have allowed points of order to be raised demonstrates your serious concern over the issue. In outlining and repeating the question, the Secretary of State has not made clear why a breach of the chief accountant's rules was allowed in the first place, and what special considerations he had in mind when he allowed it. If that breach was made on those two occasions for those two firms, why bother to have any rules? Why should firms that follow the rules, or firms that do not even tender when the rules are going to be breached, be discriminated against? Two firms have been singled out and those that followed the rules have clearly failed to get any business.

The Secretary of State owes it to the House, because we have a duty to scrutinise expenditure—

Mr. Speaker: Order. We have come to the end of points of order on that issue. We have gone into it at length and the Secretary of State has made a statement. If hon. Members wish to pursue the matter, they must do so in some other way.

Mr. Christopher Price *rose*—

Mr. Arthur Lewis *rose*—

Mr. Speaker: I shall not take any more points of order on that issue.

Mr. Arthur Lewis: On a different point of order, Mr. Speaker. Can you advise me how, without appearing to grovel to you, I can say that we greatly appreciate the kind way in which you have acted in this matter?

Mr. Speaker: May I say, having listened to the exchange yesterday, that if the hon. Gentleman is a groveller, I would fear to face anyone standing up.

PRIME MINISTER

SERPELL

We have got off to a bad start on SERPELL. Please see Willie Rickett's note attached.

I am afraid that the only way of recovering the ground lost will be at your Questions next week. You could say that our policy to date had, indeed, been to maintain the status quo, but we now had the SERPELL Report, which provided the material for informed consideration of the long term issues, and that the Government would be undertaking such considerations with an open mind. No options would be ruled out in advance.

After yesterday's statement this will be an uncomfortable position to hold.

On the substance of the matter, I think the Department of Transport needs to be flushed out. They have already had a clear preliminary steer from you in the letter I sent recording your views on the draft statement. Should they be invited now, within a week or so, to let you have their proposals on future action on SERPELL? You could then consider how you wished to handle the matter.

I have told the Department of Transport that in making any further comment on SERPELL over the weekend, they should stand on the passage in Mr. Howell's statement as follows:-

"It would be quite wrong to respond with snap judgements or closed minds to any of these ranges of options, whether they concern track and signalling, rolling stock, network size or fare structure, or new objectives for the Railways Board."

and make no further assertions to the effect that there would be no major closures.
21 January, 1983.

MUS

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Transport

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10 DOWNING STREET

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From the Private Secretary

24 January 1983

SERPELL Report

BK1

As I mentioned to you on the telephone this morning, the Prime Minister hopes that your Secretary of State will, when he is ready, let her have his considered views on the SERPELL Report, and his proposals for future action. The Prime Minister would then wish to consider how best to carry forward discussion within the Government on the way forward.

The Prime Minister is also anxious to combat the impression which has been given wide currency in the media that the Government has ruled out any particular options, whether they be substantial closures, or relate to track and signalling, fare structure or other issues. She hopes that Ministers will stand on the passage in your Secretary of State's submission to the House on Thursday as follows:

"It would be quite wrong to respond with snap judgements or closed minds to any of these ranges of options, whether they concern track and signalling, rolling stock, network size or fare structure, or new objectives for the Railways Board."

I am sending a copy of this letter to Margaret O'Mara (H.M. Treasury), John Gieve (Chief Secretary's Office), Muir Russell (Scottish Office), Adam Peat (Welsh Office) and Richard Hatfield (Cabinet Office).

M. C. SCHOLAR

Richard Bird, Esq.,
Department of Transport.

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~~Transport~~
PRIME MINISTER

SERPELL DEBATE

The Opposition's Motion is:

"That this House opposes massive rail network cuts and commuter fare increases and condemns the Government for its failure to reject outright the Serpell Report."

Mr. Howell wanted the Government amendment to delete "and condemns the Serpell Report" and to insert:

"but calls for positive attitudes to railway improvement and reform, welcomes the opportunities, following the Serpell Report, to pursue a better deal for both the rail customer and the taxpayer, to cut costs and raise efficiency and to establish a clear direction for the railway's future".

I told his office that, although I could not consult you, because you were engaged with President Mubarak, I felt sure that you would not wish "opposes massive rail network cuts and commuter fare increases" to be left in; nor would "but calls for positive attitudes to railway improvement and reform" commend itself to you.

After discussion with Mr. Howell, he has agreed that the amendment should be to delete everything after "House" and to insert:

".... welcomes the opportunities, following the Serpell Report, to achieve a better deal for both the rail customer and the taxpayer, to cut costs, raise efficiency, and establish a clear direction for the railway's future, both for those who work within and for those it serves."

L. S. ...

MCS

2 February 1983